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Focus:

# SMOOTH SAILING FOR MILITARY JUNTA AHEAD OF PRESIDENTIAL ELECTIONS IN MAURITANIA

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## ENERGY AND MINING

### Sonatrach of Algeria in Partnership Talks with Portugal's EDP and Russia's Gazprom

Portuguese energy firm Energias de Portugal (EDP) says it is in negotiation with Algeria's Sonatrach with the aim of establishing a partnership in the area of natural gas. The talks between the two were endorsed and facilitated by the governments of the two countries following the recent visit to Algiers of Portuguese Prime Minister Jose Socrates. Details of the talks have not been disclosed.

Meanwhile sources at Russia's Gazprom announced that their company is expected to soon ink an agreement with Sonatrach on a series of joint projects. Among the negotiated topics are eight development projects in Algeria, Libya, Central Africa, Mali and Mauritania. The talks have also extended to joint marketing, allowing Gazprom to benefit from Sonatrach's presence in Southern Europe, in exchange for opportunities for Sonatrach in Northern Europe. Sonatrach would also be allowed to explore for oil in Russia proper.

Talks between Gazprom and Sonatrach have been greeted with suspicion in European regulatory circles. The EU Energy Commissioner Andris Piebalgs reported last week that he will keep a close eye to the negotiations between the two gas companies fearing that it will create a cartel that would have enormous influence of Europe's energy supply. Combined, Sonatrach and Gazprom supply 35% of Europe's gas.

## Verenex Continues Oil Exploration in Libya

Calgary-based Verenex Energy announces on February 1, 2007 that testing continues at its first exploration well in Libya, A1-47/02 in Area 47 in the Ghadames Basin.

The Company expects that the extensive testing program planned could continue into mid-March. Interim testing results on one of several intervals to be tested are under review by the company. Libyan regulatory authorities a preliminary basis are encouraging.

Verenex operates and holds a 50% interest in the exploration and production sharing agreement for Area 47, and the Bay of Biscay offshore France.

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## Eni Finds Oil in Tunisia

On January 29, 2007, Italian oil company Eni says drilling tests on well Karma-1, 700 km south of Tunis, show an overall capacity of more than 4,000 barrels of oil per day, while production tests on well Nakhil-1 confirmed the presence of good quality oil. Eni successfully continues its exploration campaign in Tunisia's Sahara region, positively completing drilling tests of two exploration wells, Karma-1 in the Adam concession, 700 km south of Tunis, and Nakhil-1, in the Bordj el Kadra permit, located close to the Eni-operated plant for treatment and production of oil.

Eni has carried out as operator drilling activities and tests at Karma-1 in partnership with Tunisia's state company Etap, Pioneer Natural Resources and Talisman Resources. The well has been drilled to a 3,617-meter total depth and production tests show an overall capacity of more than 4,000 barrels of oil per day, confirming the great potential of the Adam concession.

Eni is operator at Nakhil-1 with a 50% interest, together with Pioneer Natural Resources and Talisman Resources. The well has been drilled to a 3,929-meter total depth.

Production tests confirmed the presence of good quality oil. The well is now on stream with a production of 1,200 barrels of oil per day.

Eni's first exploration & production activities in Tunisia started in 1963. Eni's current equity production of oil and gas in Tunisia is some 17,000 barrels of oil equivalent per day (boed).

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### French Firm to Explore for Uranium in Libya

French nuclear reactor maker Areva received authorization from the Libyan authorities to search for uranium in the North African country. Uranium will be used by Areva to power its nuclear plants, which generate electricity and power for its customers. Areva and Libya's National Bureau for Research and Development signed a memorandum of understanding establishing some of the basic rules of Areva's engagement in Libya.

## INDUSTRIES AND MARKETS

### Algiers Metro Subway System: French Companies Show Interest in Becoming Operators

Three French companies, Veolia, Keolis and RATP are reportedly listed as the latest competitors for a contract to manage and operate the metro subway system of Algiers which is currently under construction. The French companies are now joining a list of candidates that comprise the operators of the Madrid and Rome underground rail system.

# ELECTRICITY CONSUMPTION IN MOROCCO AND ALGERIA FACING PEAK DEMAND AND RISKS OF BLACKOUTS

Electricity consumption in Morocco reached its peak on December 26, 2006 as a result of a cold front which swept the entire country. The peak period was between 7 PM and 8 PM, when 3,760 MW of power were absorbed, representing an 11.2% increase compared to the same day in 2005.

Electricity consumption has been growing at a strong pace. In 2004, businesses and households absorbed 1.859 million MW. A year later, they added 13% to that amount to 2.1 million MW. The latest figures for 2006 indicated an explosion in demand. In the first 11 months of 2006, the biggest consumer of electricity was the industrial sector, with 4.36 million MW, followed by the residential sector with 2.4 million MW. The agricultural sector too absorbed more electricity, growing from 894,000 MW in 2004 to 1.05 million MW in 2005.

Given the available data, it is difficult to assess the impact of peak periods on power company revenues. Electricity rates are set by a ministerial decree and thus remain immune from demand fluctuations. The farming sector too benefits from a special and reduced price structure.

With Morocco lacking a comprehensive energy policy and diversified sources of energy supply aimed at the home heating sector, consumption remains highly linked to the vagaries of the climate, leading to peak periods during the coldest days. Air conditioning remains a luxury item for the majority of Moroccan households; therefore the periods of heat are not sources of peak demand for electricity.

With major demand in winter times, utility company executives have been focusing a great deal of their attention on the heating equipment used in households in particular. They noticed that the quality of the heaters used in homes and officers are often themselves sources of energy leaks given their substandard qualities. Yet, power company ONE has been leading the charge to convince policy makers on a national strategy which will focus heavily on the use of electricity as a primary source of energy and heating. Acknowledging the difficulties of managing peak times - a phenomenon that is likely to remain an important factor, the head of ONE, Youned Maamar, is currently speaking about a new and more rational vision that is likely to include natural gas and other sources of energy.

Morocco's electricity supply woes of the 1990s were largely and successfully dealt with through the building of the Jorf Lasfar power plant. That followed with interconnecting the national power grid to that of Algeria and Spain, and through a bilateral agreement with Algeria signed in 1995 to supply additional power. Interconnection with the European grid began in 1997 through an underwater cable moving 700 MW of electricity.

While home heating is not widely available to all Moroccan households, its peak periods with their growing likelihood of blackouts remain difficult to manage given the lack of other energy sources and a tightly controlled tariff system. The existing tariff system is set by government decision but does not take into account excessive demand and therefore the need for the power company to charge more to compensate for the added cost of increasing supply. On the other hand, and while in advanced economies coal, gas and other energy sources are used to face peak demand, Morocco does not have resources to tap into alternative energy sources.

For now ONE's response will be in the form of educating consumers and businesses on reducing consumption when not necessary. A marketing campaign is in the offing, which will ask electricity users to refrain from using power when not required But this initiative, although good in itself, is not enough. Morocco needs a comprehensive energy strategy that would shelter it from uncertainty and blackouts.

Algeria faces similar pressure on supply. Lately demand has exceeded the 6,200 MW ceiling, also as a consequence of cold temperatures. The situation has led the utility firm Sonelgaz, the state-owned monopoly to issue a warning that blackouts could actually take place. Just as in Morocco, peak consumption has been occurring between 7 PM and 8 PM, with a record reached on Saturday, January 27, 2007, with 6 217 MW absorbed that day compared to 6,135 MW on Wednesday. Such strong demand was not anticipated by Sonelgaz for this winter, which has had to accelerate the opening of new plants. The recent surge in demand took the company by surprise. Only recently, the company's CEO announced that he was confident that demand will be handled appropriately this winter. CEO Nouredine Bouterfa stated that Sonelgaz' could distribute up to 6,500 MW of power for a market that traditionally consumed not more than 5,900 MW.

But 10 days of constant cold led to a substantial jump in consumption. The company still hopes the opening of the Marsat-El-Hadjadj power plant in early February would bring another 260 MW of power to the system. Another plant, in Berouaghia (Medea) has just been added also, raising total available power to 7,200 MW. These additions have essentially offset the closing of the 400 MW plant in the city of Skikda, eastern Algeria, for a period of 10 days due to maintenance requirements.

The company thinks that such expanded capacity should bring added security to the supply of electricity to households and businesses, but its plans once again ignore extreme weather fluctuations in a world where climate change could create unexpected demand.

From a regional standpoint, power production in Algeria shows an unbalanced profile, with a surplus of electricity generated in the east and northeast of the country, fairly even in the center, while the western regions show a deficit.

## Libyan Airlines Flies to Milan

The Libyan national carrier recently launched a twice-weekly service to Milan. The service is available for travelers on Tuesdays and Saturdays. The company is preparing to widen its flights' network to cover India, China and potentially North America.

## BANKING AND FINANCE

# MOROCCO LIBERALIZES CURRENCY EXCHANGE BUSINESS

Morocco's banks have lost their control of currency exchange activity, a business they have protected for so long. Live currency exchange now has a new law effective January 1, 2007. Store keepers who have more or less legally performed currency exchange will have until December to make their currency exchange business official or just sell their products in Dirham. Up until now, these shop keepers were allowed to accept foreign currency from tourists for traditional arts and crafts. But while they were allowed to collect foreign money, they were not permitted to sell. That is what the law said but in practice, that was not the case.

The new rule from the exchange bureau has three new components. The first is that it now allows individuals the right to form a foreign exchange company, in which other companies can become shareholders, in exchange for basic and simplified formalities. The second important component is that money transfer companies such as rivals Western Union and Money Gram will be allowed to open their own exchange offices. Finally the new law redefines the conditions for organizations to act on behalf of individual clients, such travelers, in money exchange matters. That includes hotels, transport companies, travel agencies, etc. These intermediaries authorized by individuals will only be allowed to buy but not sell money.

The purpose of these new rules is to ease the conditions in which currency exchange activities operate, create competition, and standardize practices with those existing in countries that are Morocco's trading partners.

In practical terms, a currency exchange bureau is required to have a minimum of MAD 500,000 if operated by an individual. A similar business with corporate shareholders will require a MAD 1 million capitalization. The exchange bureaus are required to be located on first floors and visible from outside. The office must have minimum requirements from an equipment standpoint, including a safe, forged money detection equipment, money counting machine, a security system, a computer, an electronic board displaying exchange rates, etc.

## ECONOMY AND TRADE

### Libya Sets Budget at $25 Billion

The Libyan legislative body known as the people's general congress, endorsed on January 22, 2007 a state budget of LYD 31.04 billion, equivalent to $24.8 billion.

The budget for fiscal 2007 comprises three components: salaries and wages, spending and development investment.
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### Libya's Export Revenues Exceed the $32 Billion Mark

The Libyan banking system, including the central bank registered $32 billion revenue in form of foreign currency and export earnings from January 1, 2006 to October 31, 2006. This was a 35% increase from the same period of 2005. With $29 billion, oil exports accounted for 90.6% of the total revenue reported by the banks and best estimates for the whole 2006's oil revenue is set to reach $34 billion.

The remaining earnings came from the interests originating from Libyan investments in foreign banks. In all, 23.7 billion dinars were placed into savings accounts

between January and November 2006. This represented the equivalent of $18 billion in oil export.
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## REAL ESTATE TOPS EXPATRIATES INVESTMENTS IN MOROCCO

Despite being increasingly integrated into their countries of residence, Moroccans residing abroad continue to transfer money back home at ever growing rates. Their remittances continuously increased, even from the younger generations of dual citizens of Moroccan origin. The money transferred to Morocco by Moroccans living abroad more than doubled from MAD 19 billion in 1996 to more than MAD 40 billion in 2005 or almost 4 billion euros. This trend represented an 8.9% average annual growth rate. A combination of wise government policy favoring higher expatriate contribution to the economy and the liberalization of the financial sector was the primary drivers of such sustained growth in remittances. Encouraged by the prospect of growing business, Moroccan banks opened offices abroad to be as close as possible to the expatriates, estimated at more than 3 million, most of whom live in three Southern European countries, France, Spain and Italy. For banks, Moroccans abroad are a good business. In 2005, 26.3% of the deposits in commercial banks were attributed to expatriate remittances.

The role of expatriate money in the Moroccan economy is significant. From 2001 to 2005, the remittances allowed the covering of two thirds of Morocco's trade deficit and a massive 22.8% of its imports.

The Moroccan immigrants' contribution to their country's economy is by far more impactfull than in many other countries in the MENA region, given the amount of money they send in relation to the size of the economy. The ratio of remittances over GDP is 9% for Morocco compared to 3% for Algeria and 2% for Tunisia. Then again, given that Morocco's GDP is smaller than Algeria's, the difference in ratio is not a surprise, yet it underscores the importance of the Moroccan community abroad. But comparatively, more can be done to attract growing remittances. The comparable ratio of remittances over GDP in Lebanon is a high 15% and in Jordan it tops 22%.

While there are no doubts regarding the strategic importance of expats' contribution to the Moroccan economy, the question remains on where the money is spent. The reality based on official data is that the money coming from abroad rarely reaches the productive industries and is used instead in speculative sectors. While speculative sectors could be great sources of investment, the country's economy needs money to fuel its businesses and industries.

The bulk of the money is placed in real estate. It is not only a relatively safe and good investment but it is often seen by the expatriates as a symbol of success and status of social upward mobility. As such, real estate alone absorbs 72% of expatriate remittances. The remaining money is channeled into small and mid-size businesses, essentially operating in commerce and handicraft, with limited earmarking to the industrial sector.

According to official banking data, there are substantial differences in the way older and newer generations of expatriates invest their money at home. The older ones tended to invest in food stores, restaurants and handicraft businesses, while the latest generation shows more interest in international trade with import-export businesses, transport, tourism and information technology. Agriculture also attracts a certain amount of investment annually, mostly from Moroccan immigrants of rural origin.

In our opinion, the heavy concentration of expats investments into real estate clearly underscores the lack of investment choices and mechanisms available to them. While banks have worked hard to attract deposits from this segment, managers of mutual funds and other investment instruments targeting companies in need of cash have done nothing to draw money into Moroccan companies. It is unclear whether it is the investment firms alone that are lacking initiative or the current regulations that are not conducive to individual investment in industry and the stock market. We, at The North Africa Journal often receive inquiries from Moroccans abroad and other nationals seeking advice on how to place money in Moroccan equity. It is not that there is no interest in investing there, it is a complete lack of transparent mechanism that would enable such investments to happen. Until such an environment is put in place, expatriate money will favor real estate and to a lesser extent small business creation.

The other dark spot in expatriate money is that an equally massive amount enters Morocco through informal channels. This money that is entirely unaccounted for is in the billions and according to the European Investment Bank, it accounts for 35% of the total money originating from Spain alone.

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## 2007 IS STRONG YEAR FOR ARAB INVESTMENT IN ALGERIA

Arab and North African financiers are looking to Algeria as a new opportunity to expand their investment reaches and to channel oil money in this emerging economy. For example there are at least five banks with MENA (Middle East North Africa) investors behind them that are expected to open in Algiers. Algerian financial authorities have been in talks with banks and investors from Lebanon, Morocco, Tunisia, the UAE and Qatar to work on new bank creations.

MENA investors are particularly interested to Algiers because they have been the first ones to invest outside of the oil and gas sector, as opposed to Western investors who focused the exposure to extraction activities. These Arab investors are highly respected by Algeria given that they agreed to take high risks as the country underwent drastic political turmoil before showing signs of stability recently. The Arab companies that invested five years ago or earlier managed to expand into other sectors, particularly in the service industry.

But for a Moroccan, Tunisian or any other country in MENA, the Algerian market is not such a mystery. Many of the business and administrative rules in these countries are very similar in Algeria given the historical and linguistic legacy they share. But Algeria followed by tweaking its business environment, albeit with very small steps. Among the most obvious inhibitors to Arab and foreign investment in general has been the banking sector. For example, a source of embarrassment was that financial transactions were not performed electronically, a problem Algeria had to fix. Today 80% of the financial transactions performed by businesses are electronic-based, adding more security and accountability to the process.

Another observation from the Arab investment experience is the fact that Arab investors are less keen on investing on their own by funding new projects and are generally more attracted to equity acquisition or participation in existing business entities. They take less risk as lenders and more as co-owners.

Acknowledging the growing importance of Arab investment and mutual funds, Algeria has been working to reform its financial and business sectors to attract more Arab money. The pace of such transformation is slow but it is worth noting that Algiers claims to have launched what it calls "the second phase of banking system modernization, which would not only include the modernization and securing of payment mechanisms, but to also revolutionize the instruments used to finance the economy." This means not only will banks have to upgrade their techniques but there will be new financing mechanisms such as equity participation, leasing and shareholding, concepts that have propelled many economies in the Arab world but which are new in Algeria.

These are bold statements and perhaps very ambitious considering the very slow pace in which the banking sector has reformed itself. But from a regulatory standpoint the books have laws that facilitate such transformation in theory. Among the latest interesting legislations is the law that gives the finance ministry the mandate to authorize the establishment of investment funds, instead of the slow moving central bank.

As has always been the case, real estate is another sector of interest to Arab investors. Qatar's Al Faisal Holding is building two towers in Cheraga (Algiers), scheduled to open early this year. Five other towers in the same region are in their planning phase, which would include a commercial and shopping center. Included in its plans is an up-scale condominium complex with luxury amenities to be delivered in 2008.

Al Faisal's activity exemplifies a growing trend of Arab investments into Algeria. From 2000 to 2006, the investment authority ANDI (Agence Nationale pour le Développement de l'Investissement), authorized up to $6 billion of investments originating from the MENA region. Some 60% of this value was actually invested, including the $2.4 billion from Egypt's Orascom.

From an outlook perspective, 2007 looks promising. Several Arab investor-led projects in new sectors are in the offing. They include large-scale real estate development, tourism, pharmaceutical manufacturing, electricity generation and many other projects that could position Arab investments among the most active in Algeria.

## POLITICS AND DIPLOMACY

# SMOOTH SAILING FOR THE NEW REGIME IN MAURITANIA

In typical circumstances these days, the world would be less tolerant of a regime that took power through a coup d'etat. But this rule does not apply to Mauritania. After the 2005 coup that toppled the previous regime, the new one managed to not only survive but thrive. Its only problem lately is the growing risk of another locust invasion, but that in itself is offset by the prospect of higher oil revenues. The leader of the coup has even been welcomed in western capitals.

To legitimize its take over of power, the Mauritanian regime went on the offensive by launching a fresh electoral process, a process that has received praises from the European Union. The EU's Louis Michel was among those who saluted Mauritania's advances in the democratic process, adding that the current regime's commitments to the European Union have been met at "more than 90%." But not all EU officials have endorsed the Mauritanian regime so blatantly. Marie-Anne Isler Beguin, the head of the EU election observers in Mauritania admitted that "doubts remain," in particular among citizens and voters when it comes to successfully holding elections in the country.

After ousting Maaouiya Ould Taya in August 2005, the new regime in Nouakchott established an electoral roadmap, in a process that would end with a presidential election in March 2007. The roadmap included a constitutional referendum "approved" by the voters in June 2006, as well as the November 2006 legislative and municipal elections. It will continue with the ongoing senatorial elections, to finally close with the presidential race in March 2007.

In its roadmap, the new regime did not clearly identify the time or circumstances in which it will give up power. It is a promise it has made, with its primary goal to "restore democracy." But its actions speak loud as to its real intentions. Indeed, democratization means a solid ecosystem of political parties. In Mauritania, however, the current regime has clearly been working to undermine any strengthening of the existing political parties, including the party that represents the ousted regime. Its actions, condemned by the competing political organizations, occur through its support of so-called independent candidates in local and legislative races. A great number of these independent candidates have an allegiance to the military regime, hence undermining the prospect of advancing pluralism and democracy, while consolidating the position of the junta. The support of these independent candidates allegedly comes in form of financial aid and funding, help in coordination and orientation, etc. These are allegations made by most legal political parties and their common spokesman Ahmed Ould Daddah.

But these allegations are realistic. The first round of voting in the senatorial race this past week ended with 38 of the 56 seats finally assigned to a winning candidate. The second phase of voting is scheduled for February 4 with 15 seats at stake, and a final round will involve an upper house vote to select three senators to represent the Mauritanians living abroad. If the results of the first round are indicative of the intentions of the junta, then the democratic future of Mauritania will have to wait for another regime. This is because 23 of the 38 seats at stake were won by independent candidates, most likely supported by the junta of Colonel Ely Ould Mohamed Vall. Eight seats were taken by the Coalition of the Forces of Changes CFCD, the former opposition party operating in the previous regime of Maaouya Ould Sid'Ahmed Taya. The remaining seven seats went to various political parties, with the Democratic-Republican Party for Renewal (PRDR), the party in power since August 3, 2005 grabbing three seats.

The political path being followed by the junta in Nouakchott is full of risks and hope in the foreseeable future. If such path is confirmed, then Mauritania will be taking several steps backward. The August 2005 coup was justified by its authors using the 20 years of "despotic power" of the ousted regime. Will Colonel Vall and his men learn?

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## RACE FOR THE PRESIDENTIAL POST IN MAURITANIA BEGINS

A dozen Mauritanian politicians submitted their candidacy last week to run for the March 11, 2007 presidential elections. Their filing of the paper indicates that the race for the highest office in Mauritania is now official. Among those who are in the race is former head of state and retired army colonel Mohamed Khouna Ould Haidallah. Ould Haidallah, who was president between 1980 and 1984, filed as an independent candidate. Also in the race, representing the Progressist Popular Alliance (APP) is Messaoud Ould Belkheir.

These applications occurred at a moment where the political system has witnessed an ease in tension following allegations of junta support to the independent candidates running for legislative seats. The military junta which came into power following the ousting of Maaouya Ould Sid'Ahmed Taya on August 3, 2005, was accused of lending support to senatorial candidates with no affiliation to any party but who are biased toward the new military rulers. Despite this quiet period, the military are said to be favoring former minister and independent candidate Sidi Ould Sheikh Abdallahi.

But the most interesting figure in this competition is the former opposition leader Messaoud Ould Boulkheir, of the ethnic Haratine group, considered descendants of slaves. In a recent rally that attracted 2,000 people in Nouakchott, the 62 year-old Ould Boulkheir pledged to fight slavery and other similar illegal and immortal practices. Despite having been abolished in 1981 and subject of another enforcement law enacted in 2003, slavery remains a major problem in Mauritania and is a divisive issue there. Practiced for centuries, slavery is a traditional practice in Moorish societies, essentially affecting black Mauritanians. Despite its existence, the phenomenon of slavery has not been quantified.

Born in the Southeastern region of Nema, Ould Boulkheir co-founded in 1978 the El-Hor movement, a Haratine political organization, before becoming head of the Action for Change party, an organization banned by the government in January 2002. In 2003, Ould Boulkheir received nearly 5% of the votes in the 2003 presidential elections, compared to the "winning" incumbent Maaouiya Ould Taya who officially received 67.02%.

# THE ISLAMISTS' GROWING MOMENTUM IN MOROCCAN POLITICS

2007 will be an important year for Morocco's political future and a test of how much progress democracy has made in spite of a potential Islamist takeover.

At the heart of the current discussions and debates among the power elites in politics and business within and outside Morocco, is the future replacement of the current prime minister, Driss Jettou when this year's legislative elections are held. The replacement of Jettou will form a government cabinet that will set Morocco's long-term agenda with issues as important as women's right, regional politics, relations with the EU and US, etc. As the election date approaches, tension rises among all the political parties competing for power. Citizens are also wondering who deserves their votes in a political system often seen as not so credible.

The debate over the future of Moroccos' post-2007 elections has spread outside of the country, in particular among the corporate circles in Paris. Indeed 38 of the 40 corporations listed in the CAC-40 Index, the benchmark tracking index for the Paris Bourse, have direct financial interests in the North African nation and potential changes in the political system there are sources of concern. In this context, the role of Islamists has been in the minds of corporate leaders on both sides of the Mediterranean Sea. The issue is so important that Prime Minister Driss Jettou was questioned about this very topic during a meeting with French corporate leaders held in mid December 2006.

In Morocco, the expected victory of the Islamist PJD party worries other political groups, in particular the older nationalist parties. In an editorial published on January 4, 2007, the left-leaning USFP party (Socialist Union of Popular Forces) urged all political parties to make their positions clear and make no secret of their alliances so as to educate voters and give them choices and options. In saying that, the USFP recognizes that voters are already prepared to back the populist PJD party, while lack of transparency among the more secular political organizations has created a great deal of suspicion among voters. The USFP editorial noted "such transparency would differentiate between those who are true defenders of the continuation of political, economic and social reforms, and those who oppose such reforms."

In previous elections, the political system favored alliances within specific ideologies. Left-leaning parties such as USFP, nationalist Istiqlal party; former communist Party of Progress and Socialism (PPS) and extreme leftist OADP (organization for democratic and popular action) formed an alliance called Koutla to compete against their right-leaning competing counterparts. They also established lists of joint candidates in local and legislative races. But this system came from the days when the power of the Islamist was much more limited. The Koutla, for instance could get a single candidate in a specific race and yet win the elections. With the Islamists expected to upset the 2007 race, past alliances are likely to break so as to field more candidates instead of a unified one. This, according to USFP strategists, would bring move votes to secular parties and could present a barrier to the Islamists.

Still, there is a major wildcard in the Moroccan political system and that's the King. At the end of the day, Morocco remains a monarchy whose King makes major decision as it was the case in the appointment of Driss Jettou, a man referred to as a "technocrat" rather than a politician with allegiance to a specific ideology. However, in his October 14, 2005 speech, King Mohammed pointed to his leaning toward the selection of a prime minister to replace Jettou based on the outcome of the 2007 elections and not on his choice of a "technocrat." Whether that will really happen or not will depend on the terms and conditions on how to govern in Morocco. That will be negotiated between the monarchy and the Islamists, if the PJD ends up winning.

The second important and most likely outcome of the 2007 legislative elections is what many in Morocco believe to be a certainty in the non-emergence of a single political party that will dominate to the point that it would form a cabinet single-handedly. While the PJD is likely to be the strongest party, it will not have such a dominant majority that would enable it to form a government on its own. Most political analysts rule out a PJD tsunami. “The likelihood of the PJD to gather 40% of the votes is almost unthinkable,” says a political observer. Some even speculate that the PJD could only hold the second position in the election results ranking, possibly behind the USFP or its rival Istiqlal.

The PJD itself reached the same conclusion. Either to dispel fear or for political calculations, its officials say that “there can be more votes in favor of PJD, but converted into parliament seats, the system does not work with proportionality and does not favor the concentration of seats for the election winner.” The PJD calculates that it could control up to 80 seats in a 325-seat parliament. That would be close to a quarter of the parliament. However, it believes that the parliament’s balance of power will be divided among four or five political parties, not equally but in proportions that are generally close enough to create a block against the most powerful party. While some parties will have more seats, the PJD argues that no one will have so many seats so as to dominate parliament.

If these projections are realized, then the next Moroccan government will be formed with representatives of five major parties, USFP, Istiqlal, PJD, MP party and the RNI. Given its independent nature, the RNI (Rassemblement National des Indépendents) can ally itself with any other party based on its own political interests, although there have been important factions within RNI favoring an alliance with the PJD. This situation has caused tremendous infightings within the RNI to the point that once again the party almost split in two. Differences with RNI caused it to split twice in the past.

The other parties will have positions in the government depending on who actually ends up winning the most seats, since the winner will be in charge of forming the cabinet. Such system was modeled from Turkey, a situation that actually occurred recently with the Hizb Arrafah party of Necmettin Erbakan.

The selection of a Prime Minister, essentially a function controlled by the King, should generally respect the rules of engagement the Monarchy and the political parties agreed upon some years ago. The most important rule is that the Prime Minister should be selected from the winning party. But the Monarchy and the parties could conspire to block the PJD even it wins in a landslide. This is because another important aspect of the selection process is that when the King asks a prime minister to form a cabinet, he or she has up to two months to form such cabinet which must draw its ministers from other parties. If she/he cannot form a cabinet, perhaps due to the conditions or due to a boycott from other parties, the prime minister will have to resign and the King would appoint a new one from the second ranking party.

This year's elections would see a premier coming out of one of the four parties (MP, PJD, USFP and Istiqlal). From a scenario perspective, if a prime minister is chosen from the MP party (Mouvement Populaire), assuming it wins the elections, it could form a controlling alliance with the independents of the RNI and the leftists of the Koutla, leading to a governing coalition similar to the one currently in place. This combination would probably constitute a smoother transition in that all the main political, social and economic policies and agendas of the current government will be considered with minimum disruption.

But an MP victory would not guarantee and alliance with secular leftist organizations. If the PJD comes in the second position, the MP would have hard time ignoring it and could form a preferred alliance with it, with all the unexpected implications on issues of social policies. But an alliance with the MP and PJD is not just because both parties could end up holding the number one and two ranks. There are historical ties between the two parties that could lead to much more solid relations. The PJD's origin is the former MPDC party, a political branch that came out of the MP party back in 1967. Strategically the two parties control separate geographical zones and could see complementing each other, with one getting its strength from rural areas, while the other entrenched in large cities. If such alliance is achieved, it means the USFP will have to be excluded. This would transform the USFP into an opposition party, a situation that could possibly turn the Istiqlal into opposition as well. Still, there is a great deal of affinity between the PJD and Istiqlal, given the latter's conservative stance on social issues. And that creates synergies between the two.

If the PJD wins as many expect, its first and most likely alliance to be formed will be with the Popular Movement party MP, followed by the independent RNI and by the PND and UC parties. If Istiqlal accepts to a join a PJD-led government, the USFP will remain the main opposition party.

What if the USFP comes ahead in the elections? Then the transition from the current government will be rather straightforward and without major complications to the political system. If the PJD scores well, the USFP may have to accept new terms of engagements but could also give non-strategic ministerial portfolio to the Islamist party. Finally the last scenario consists of an Istiqlal victory. This would also mean a normal transition from the current regime, with the USFP walking behind Istiqlal. While the two parties are often allies, they become bitter enemies when the Premiership position is at stake. A too troubling USFP in case of an Istiqlal victory could mean stronger ties between Istiqlal and MP, RNI and even PJD.

Regardless of all these calculations, the next government will have some sort of conservative leaning. The PJD has too many opponents to take full control and even if it ends up winning the most seats in parliament, it only holds one seat in the current 275 second Chamber. By having limited impact on government, it may not be to the interest of PJD to join a coalition government, since joining it risks to lessen its mystical image among the population.

From our perspective, if the PJD wins, Morocco will be better served allowing the Islamists to participate in government. Many Islamist parties in the Arab world have successfully joined legislative and executive branches without disruption a-la Hamas in Palestine. Morocco will certainly face a new political experimentation, but that would have been the choice of the voters.

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## THE STATE OF PRESS FREEDOM IN LIBYA

The following report is a Reporters Without Borders (Reporters Sans Frontiers) assessment of Libya's press situation.

Despite Col. Muammar al-Gaddafi's recent pro-democracy pretensions, his regime still keeps a very tight rein on news. Local journalists have very little room for maneuver and self-censorship is the rule.

A Reporters Without Borders delegation visited Libya for the first time in September 2006 at the invitation of the country's journalists' union. The fact of the visit showed the regime's more relaxed attitude but the press freedom situation has hardly changed. The media are still government-controlled propaganda mouthpieces that put out "positive" news about the activities of the "brotherly leader," Col. Gaddafi. No independent media-outlet exists.

Three of the four main daily papers (Al-Jamahiriya, Al-Shams and Al-Fajr al-Jadid) are funded by the General Press Office (an arm of the information ministry) and the fourth, Al-Zahf al-Akhdar, belongs to the Movement of Revolutionary Committees, which is the regime's backbone. Only satellite TV stations, which have lured people away from state-run stations, lighten the grim picture.

Few journalists dare to venture beyond the limits set by the regime. Criticizing Gaddafi is a taboo that can lead directly to prison because of the prevailing personality cult. The most the local media does is report minor corruption without ever implicating top officials. The plight of the Berber minority and anything to do with

Gaddafi ("The Guide of the Revolution") and his family are never mentioned. The press law is very harsh and allows prison sentences of up to two years.

Libyans have free access to the Internet but their activity on it is closely monitored. Journalist Daif al-Ghazal and cyber-dissident Abdel Razak al-Mansouri were punished for criticizing the regime online. Al-Mansouri was given an 18-month prison sentence in October 2005 officially for "unauthorized possession of a firearm" but in fact it was almost certainly because of what he wrote on the website www.akhbar-libya.com. He was amnestied in March 2006 after a year in jail. The killers of Al-Ghazal, whose body was found on 1 June 2005 with many marks of torture, have still not been named. He had strongly criticized the regime and the Movement of Revolutionary Committees.

By the end of 2006, Reporters Without Borders still had no proof that Abdullah Ali al-Sanussi al-Darrat, who disappeared after he was jailed without charge or trial in 1973, was still alive.

The Reporters Without Borders mission noted that the Internet was no longer censored in Libya and with the release of Al-Mansouri, no cyber-dissidents remained in prison. In November, the organization took the country off its list of "enemies of the Internet." However, a new cyber-dissident, Idrees Mohammed Boufayed, has since been imprisoned for posting material on opposition websites.

## CORPORATE AFFAIRS

### Tunisair Has New CEO

The Tunisian airline carrier Tunisair has a new boss, Nabil Chettaoui, replacing Youssef Neji who was re-appointed to lead the export agency Cepex. The government has also appointed Mohamed Cherif, a transport ministry official, to head the office of airports and civil aviation.

## Founder and CEO of Poulina Tunisia to Retire Soon

The founder and majority shareholder of Tunisian company Poulina, Abdelwaheb Ben Ayed is rumored to retire shortly. The news was reported by the weekly paper Réalités, which speculates that Karim Ammar is his likely replacement. However, Ben Ayed is anticipated to stay as Chairman of the Board of Director.

Founded in 1967, Poulina is a private company with several divisions operating in agriculture, agro food, manufacturing, and the service sector. The company employs 6,000 workers.

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## CORPORATE PROFILE: MAGHREB MINERALS PLC

Maghreb Minerals plc is a mining exploration company listed on London's AIM. The company is exclusively focused on zinc-lead and precious metal deposits in Tunisia and Algeria.

### Tunisian Activities:

In Tunisia, Maghreb Minerals operates through a subsidiary called High Marsh Holdings Limited, which is tasked to explore for zinc-lead deposits in the north of the country's Mejerda Zone.

Still in Tunisia, the Company holds permits in areas of known zinc-lead mineralization including sites of past production. These are Djebba, Djebel Fej Lahdoum, Koudiat Louatia, Ouled Moussa, Hammala and Djebel Goraa. It also has an option to negotiate in respect of two mine concessions currently owned by the Tunisian Government, Fej Lahdoum and Bou Jabeur.

Maghreb Minerals' High Marsh Holdings concentrated its activities in Tunisia in 2005 at Fej Lahdoum with 3,000 meter drillings. Further exploration and data appraisal work are in progress to establish whether commercial exploitation is possible at Fej Lahdoum. In 2006 the focus was on the exploration of its Djebba property where previous exploration and evaluation established significant volumes of high-grade mineralization near surface.

Previous work by the Tunisian mining bureau ONM in the 1980s and by the Canadian Group SIDAM-Minorex in 1987-1989, resulted in a positive feasibility study for an open pit at Djebba based on a resource estimate of 2.7Mt grading 6.14% Zn and 3.34% Pb within which there was an open pit reserve estimate of 800,000t grading 6.59% Zn and 4.09% Pb.

Results from current exploration have confirmed and extended the deposit. For example, a mineralized interval was recorded in one drillhole (MDJ 3) of 21.2m grading 13.24% combined Pb and Zn and in another drill hole (MDJ 4) two zones - one of 27.9m grading 9.7% combined Pb and Zn with an additional lower zone of 25.6m grading 5.9% combined Pb and Zn.

In Djebba, the company drilled four shallow drill holes in 2005 to test stratigraphy, to verify the grade of known mineralization and to extend exploration to cover the postulated feeder structure for the previously delineated Pb + Zn mineralization.

Maghreb Minerals plc has focused its recent exploration effort on Fej Ladhoum, Djebba and Djebba Goraa permits where the Company is targeting greater than 10Mt zinc-lead resource. An accelerated program of drilling is in hand to discover extensions to known lead-zinc occurrence. Regional programs will be undertaken in line with the schedule agreed with ONM on other exploration permits held by the Company.

The drilling in 2005 confirmed and extended the known high-grade Pb+Zn mineralization at Fej Lahdoum. Following a review of the results for the Phase 1 program, along with historical data from the mine and surrounding area, more drilling is planned.

Phase 1 drilling at the Fej Lahdoum prospect was completed around the end of 2005. For the complete program, a total of 24 drill holes (MFL 1 to MFL 24) for 5,243.7m with depths ranging between 80m and 465m was completed. Pb + Zn mineralization has been intersected in 17 drill holes. The drilling program has met the Group's 3,000m drilling commitment to the Tunisian Government, enabling the Group to enter discussions regarding the Fej Lahdoum Mine Concession.

Drill holes MFL 1 – MFL 7 were drilled around Dar N'Hal Sud. MFL 2 confirmed the mineralization previously identified by the Office National des Mines (ONM) on Dar N'Hal Sud. The Dar N'Hal Sud measured resource was estimated by the ONM at 400,000 tons at a grade of 5.6% Pb and 7.7% Zn (13.3% combined Pb+Zn). The Dar N'Hal Sud deposit is a fault offset extension, situated some 100m south-east of the main Dar N'Hal Nord orebody where work in 1991 estimated a reserve of 1.4 million tons grading 5.6 % Pb and 6.0 % Zn."

Ten drill holes (MFL8 to MFL 17) targeted principally the down-dip and lateral extent of the mineralization over a strike length of 1,200m between the Dar N'Hal Nord mine and the Dar N'Hal Sud and achieved that aim but indicated structural complexity.

Seven drill holes (MFL 18 to MFL 24) in un-tested ground to the north of the Dar N'Hal Nord Mine, extended the projection of the surface area of the mineral resource at the Dar N'Hal Nord deposit by around 20%. Three of these drill holes also verified the results from the nearest ONM drill holes DNH25 (7m @ 16.4% Pb+Zn) and DHN 26 (5.8m @ 21.19% Pb+Zn) drilled previously.

Seventeen of the twenty-four drill holes intersected lead and zinc mineralization. These were sampled and all assays have been received. Seven of these drill holes intersected significant lead and zinc mineralization.

## Algerian Activities:

In Algeria, the Company is actively exploring for gold and gold-copper polymetallic mineralization in the Hoggar region, 250km northwest of Tamanrassat. The Company holds an 85% interest in the Tan Chaffao Cu-Au prospect in Algeria in July 2005, a 100 km² exploration license in the Hoggar Region which is known to host major gold deposits.

Initial work by the Algerian mining authority ORGM highlights 1.5km strike length of volcano-sedimentary rocks with gold mineralization at shallow depth (around 100m) – illustrative intervals include 17m @ 3.5gpt gold, 1.0% copper and 5m @8.6gpt gold, 1.2% copper. A program of drilling, geological and geophysical surveys is underway to test targets defined by previous geochemical and geological ground surveys.

The Company is aware of significant exploration potential for gold mineralization in BIF and greenstone terrains as well as potential to acquire near term gold production. It is also pursuing opportunities to explore for zinc-lead along an extension of the Tunisian Mejerda Zone in northern Algeria.

Algeria is the 12th largest country in the world. Apart from the work of the Algerian Office National de Recherche Geologique at Miniere (O.R.G.M.) little recent exploration has been done in the country. The lead-zinc, copper, gold and uranium potential is well known and there is significant additional gold exploration potential.

The Hoggar Region in southern Algeria hosts major known gold and copper-gold deposits. Gold occurs in quartz veins and sericite - pyrite wallrocks at the Tirek and Amesmessa deposits being developed by Gold Mines of Algeria in that region, where 600,000 ozs gold have been already established from limited work.

Maghreb Minerals acquired an 85% interest in the TAN CHAFFAO Cu-Au prospect in Algeria in July 2005, a 100 km² exploration license in the Hoggar Region. The geology comprises of acid volcanics (porphyritic rhyolites) along the southeastern edge of the license area overlain by a volcano-sedimentary unit, including volcanic tuffs with mafic volcanics (diabase) lateral to and overlying the volcano-sedimentary unit to the north. Major fault structures traverse the area. Polymetallic and fine gold bearing mineralization in disseminated and massive sulphide veins (up to 50%); pyrite, chalcopyrite, sphalerite and occasional bornite; hosted by altered rhyolites, secondary quarzites, quartzitic schists with sericite and tuffs within a broad aureole of chlorite-quartz-sericite-pyrite alteration.

Limited exploration has been carried out on the majority of the exploration licenses and several other mineralized occurrences have been identified indicating a much bigger mineralized system. There is a 21 km long hydrothermal alteration zone running in the lower part of the volcano-sedimentary unit to the northern end of the license area varying in thickness between 100 and 200m where the content of indicator minerals is 10 times higher than in the walls of the zone. A strong linear SP anomaly coincides broadly with this zone. Ground surveys are in progress to define drilling targets and assess the regional potential.

There is also significant exploration potential for Au mineralization in surrounding BIF and greenstone terrains as well as potential to acquire near term gold production.

Maghreb Minerals plc started a drilling program in January 2006 and cores are in the process of being prepared and analyzed. Strong sulphide mineralization has been intersected. Maghreb Minerals plc is also reviewing the potential of lead-zinc mineralization in northern Algeria along the south westerly extension of the Mejerda Zone in Tunisia

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## Moroccan Utility Firm ONE Wins Senegal Electrification Contract

The Office National d'Electricité (ONE) was declared contractor of the invitation to tender of concession for rural electrification in three departments in the North of Senegal.

Under the terms of the concession contract, the ONE will ensure the electrification, the distribution and management, throughout 25 year, in the rural zones of the St-Louis, Dagana and Podor departments located along the Senegal River, on the border with Mauritania. This zone covers more than 550 villages and gathers a population of 360,000 inhabitants.

The ONE, which was in competition with a grouping led by Electricité de France (EDF), will proceed to the constitution of a company of Senegalese right to manage this concession whose initial investment is about 140 million DH.

The ONE profits from a broad expertise in the field of the rural electrification recognized universally, which it intends to develop at the international level, particularly in Africa.

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## GENERAL ELECTRIC SEEKS MORE BUSINESS IN ALGERIA AFTER JEFF IMMELT VISIT THERE

Announced in March 2006, the American company General Electric (GE) and its Algerian partners Sonatrach and Sonelgaz inked a final agreement to expand Algesco SA, a gas turbine services joint venture based in Hassi R'Mel that serves the oil and gas and power generation industries and the construction of a turbine maintenance center in Hassi Messaoud.

GE's activities in Algeria were recently the topic of talks between the company's CEO and Chairman Jeff Immelt and the Algerian energy and mining minister Chakib Khelil, the CEO of Sonatrach, Mohamed Meziane, Sonelgaz' chief, Nourredine Bouterfa.

Based on March 2006 agreement, GE's participation in Algesco, company established in 1993,was raised from 48% to a majority stake of 52%, with Sonatrach and Sonelgaz each maintaining 24% ownership shares.

The Hassi Messaoud turbine maintenance facility is also expected to serve the export market by providing maintenance services to African countries.

In addition, the two sides have been talking about GE's involvement in powering the 14 water desalination plants currently under construction and which would produce 2 millions cubic meters per year.

To recall, GE purchased Ionics, the first foreign company to ink a sea water desalination agreement with Algeria.

## LABOR AND SOCIAL AFFAIRS

**Careers in North Africa:**

### STATE OF EMPLOYMENT IN MOROCCO'S POLICE FORCES

Some 6,000 police officers in Morocco have recently left their jobs as part of their request for early retirement and yet there is a deficit of 10,000 police officers across the country. Why so many agents are leaving the corp. when it needs more men and women? This question can be answered by looking at the economics of this highly dangerous profession.

The average salary paid to a policeman is MAD 2,500 per month. For an officer with two children who agreed to talk about his situation, the monthly pay is MAD 2,800, but the monthly rent is MAD 2,100. To catch up, a great number of policemen work overtime, exceeding 14 hours per day. The case of this police officer is not unique. Thousands of officers live barely above the poverty line, and under very precarious conditions. The job is demanding, dangerous and not rewarding. Agents are often verbally abused and some times physically assaulted. Sources say that the number of assaults recorded by police officers since 2001 is much bigger than what was recorded from 1965 to 2000.

The economic fundamentals of a police officer's career are rather staggering. At his recruitment, a police auxiliary receives a salary of MAD 1,800 per month. A more seasoned policeman receives MAD 2,500. A brigadier receives an extra MAD 300, to a compensation of MAD 2,800, while his superior, a chief brigadier makes MAD 3,500. A higher ranking officer rarely exceeds a monthly pay of MAD 4,000. A promotion to Principal Officer would add MAD 500 on top of the MAD 4,000 and a local Commissioner would top the MAD 5,500. A district commissioner would get MAD 8,600 and at the top of the pyramid is the general inspector, a position that oversees police activity, would earn MAD 11,000.

But there is still a major imbalance between the top and the bottom and between categories in the law enforcement world. Magistrates of various levels working within the prosecutor's office or in different areas receive typically three times what their hierarchically corresponding police officer's would make. In other words those who don't take any risks are rewarded more than those who do.

In addition, Morocco's police corp. happens to be the only state entity with no social services available to its members. The types of services that virtually all other state employees benefit from such as social housing, subsidized vacation camps for the beneficiaries' children, all the way to basic and financial support in case of hardship are not available to policemen. Loans are rarely made available and drug reimbursement goes through a lengthy process than often takes two years of actually take place.

This dismal state of police employment forces the police offiers to seek second and even third jobs, creating further stress in and out of the household.

Working conditions are equally appalling, with police stations that have not been updated since the 1960s. Typewriters are the higher level of technology and the offices are poorly maintained.

## Crackdown of Foreign Workers in Libya in the Offing

The results of an investigation from labor authorities in Libya show that of 700,000 foreign workers accounted for, only 36,000 have the proper documents to work legal and the 60,000 have applied, while the remaining majority works illegally. With these figures and recent enforcement actions taking by police, it is expected that a massive crackdown is in the offing.

Already, the government has warned foreign workers that they will no longer be allowed to operate a business in Libya, while signaling to local businesses that they must first check with the labor ministry before hiring a foreign worker.

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